

KSC 1st Quarter 2010 Report on activities and outputs

Policy and Regulatory

1. Formulation and development of Maritime service providers' regulation.

Kenya Shippers' Council is leading private sector development of regulations and service level agreements for Service providers under MSA 2009. Improvement of service provision and introduction of best practice in transport and logistics sector will lead to reduction of time and cost of transit movement. Current areas of focus are CFS/Port operators, Freight forwarding, ship agents and Shipping lines.

Status: KSC with the support of COMPETE have hired a legal consultant to assist in drafting and development of the regulations. The committee has collated information and documents and the experts will caucus in the 1st week of April (5th -9th) to produce the draft to be subjected to stakeholders.

Output: Draft Container Freight stations (CFS), Clearing and Forwarding Agents (CFA), and Ship Agents/lines regulations are ready.

2. Working Group of experts on maritime service providers

The KSC secretariat has been a core member of the working group of experts that is looking into service provision by the Maritime service providers.

Output: The experts have been instrumental in developing manuals for use by regulators in managing the introduction of surcharges and levies by shipping lines/agents. One of the manuals developed addresses the issue of Vessel delay surcharge (VDS). The committee has also developed modalities for engagement and negotiation with service providers. It has also identified myriad charges and surcharges imposed by shipping lines leading to increase in the costs and loss of competitiveness of regional products in the international arena.

3. National Single window system;

KSC is instrumental in pushing for the implementation of the National single window system. KSC chairs the National stakeholder's forum. It was for this reason that KSC was invited to join the Prime Minister in late January on his official trip to Singapore where an MOU was signed by the Government of Kenya and Government of Singapore to assist in the fastracking of the implementation. Of major concern to KSC is the Port Community based system which is a major component of the Single window system. The team visited CrimsonLogic, the entity that runs the single window system in Singapore that also provides expertise in other countries including Ghana (GC Net). They were invited to come to Kenya to assist in technical expertise towards achievement of the SW system.

Output: The Team from Crimson Logic were in the country last week of March to meet with the Project Implementation Team and stakeholders towards implementation. The position received a major boost from government with a presidential directive after a meeting with private sector on Monday 29th to give first priority to single window system by Ministry of Finance and Transport

4. Overloading and Axle load Control

KSC occupies a strategic position in the Kenya National Highways Authority with its Chief executive sitting in the Board. This is the State Body that is responsible for the A, B, C roads that include the major corridors linking the EAC countries. There have been major concerns on overloading, weighbridge operations and border station infrastructure condition. KSC is able to influence policy at that level to ensure fast and timely movement of transit. It also advises the Board on matters of development of new corridors, challenges and issues raised by the major users of the corridor in the region. Overloading is rampant despite reforms in the management of Weighbridges. The effect of these is delays on trucks at weighbridges and road blocks that cause poor turnaround of trucks and corruption. This adds to the cost of transit.

Output: The axle load steering committee that involves all stakeholders has been formed to oversee issues of overloading, weighbridge operations and related delays. There is current negotiation on going for a PPP arrangement to install weighbridges at the port of Mombasa and the other loading points (CFS). The same should be replicated at the border points. We are working on a certification system for those who are compliant to enjoy uninterrupted service levels.

Operational issues

As part of its core mandate, KSC has been instrumental in advocating and resolving of issues that have had an impact on the delivery of service to shippers. These are day to day challenges that cause delays and add to costs of doing business.

1. **Introduction of VAT on Marine services;** The KSC has been instrumental in the review of section 22 of the finance bill 2009 that effectively introduced VAT on marine services adding up to costs as shipping lines introduced a surcharge due to their nature of business not registered locally for VAT purposes. KSC lead the stakeholders including the Shipping lines together with KPA and KMA in presentation of a position paper to the KRA and Ministry of Finance.

Output; The VAT was Zero rated leading to a major reprieve especially for transit and exporters

2. **Piracy:** The issue of Piracy has continued to add up to the costs of shipping especially for exports due to surcharges, longer voyage and delays. KSC together with FPEAK have raised the issue with government and the international community on the effect of piracy to East Africa competitiveness in the international markets. There have been various press releases and conferences by KSC to raise the awareness of the costs that are estimated to be around 1.2

Million Dollars Monthly in surcharges, increased freight, insurance and loss of markets.

3. **Marine Cargo levy:** The Mombasa Municipal council (MMC) have intentions of introducing a levy for all cargo that pass through the port of Mombasa.

Output: However due to the intervention of KSC and other stakeholders the levy has been suspended until a time that proper consultations and evaluation has been done. The levy would push the costs higher,

4. **Increase in insurance rates;** Implementation of a circular by the Insurance Regulatory authority (IRB) that would have led to 100% increase of general cartage insurance rates. Increase in insurance rates would have affected the transport sector negatively as the costs would have been passed to the shippers through a general rate increase, and the risk of fake certificates being used increasing exposure of cargo. The KSC and KTA met with the Regulators and the rates were set aside.

Output: KSC had committed resources for a legal process if the negotiations failed. KSC also did an extensive press campaign on the same to inform shippers and transporters about the outcome.

5. **Shipping line/ agents levies and surcharges:** The increasing costs of maritime local charges have been of great concern to shippers. The costs related with Piracy have been in the increase. Shippers have lost competitiveness in the international markets due to the activities of piracy and run away maritime costs.

Output: The KSC has been holding discussions with Shipping lines and other organizations (Coffee, tea and fresh produce) on ways of mitigating against effect of piracy

6. **Monitoring and evaluation of 24 hr port and border station to ensure compliance.** With the introduction of operations at ports and border stations there has been marked improvement in Dwell time and turnaround times. However costs have not remarkably improved.

Output: KRA and KPA systems finally harmonized.
Banks and CFS to roll out services fully on 24hr basis

7. **Automation and harmonization of clearance systems:**
Single window and Electronic cargo tracking system Reduction of time and cost of cargo clearance, improved security and reduced transit times through the corridor.

Output: Received presidential directive on 29th March after appeal by cargo owners. Two vendors for ECTS have been licensed. KRA has requested KSC to lead private sector in awareness and acceptance of the system.

Administrative: Institutional support and sustainability. Increase in capacity for staff to ensure membership development, advocacy and communication.

Outcome: Membership development officer, economist and IT expert recruited and will report in April. Accountant shared with FEAFFA.

Procurements of Computers and equipment: Procured awaiting completion of office procurement process.

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